

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6089

BILL NUMBER: SB 172

NOTE PREPARED: Dec 7, 2012

BILL AMENDED:

SUBJECT: Unclaimed Property.

FIRST AUTHOR: Sen. Steele

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: For purposes of the Unclaimed Property Act, this bill specifies that the failure by an owner of a bank account to make a deposit or withdrawal from the account does not by itself render the account inactive.

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues: Under this bill, bank accounts (checking and savings) may not be considered automatically dormant for the purposes of unclaimed property if the account owner does not make a deposit or withdrawal from the account within three years. It is estimated that the bill may lower revenues into the Abandoned Property Fund and the state General Fund by an amount approaching \$1.5 M per year.

Background: Current law indicates that if a bank account owner does not make a deposit or withdrawal from an account for a period of three years, the account is considered dormant or abandoned. At that time, the bank (also known as the account holder) must attempt to contact the account owner. If there is no response from the account owner, the account holder must report the dormant account information as well as remit the account funds to the Office of the Attorney General.

Unclaimed funds remitted to the Office of the Attorney General are deposited into the state Abandoned Property Fund. If the balance of the Abandoned Property Fund exceeds \$500,000, the Treasurer of State shall transfer

the overage into the state General Fund.

The Attorney General's Unclaimed Property Division then attempts to locate the rightful owner or heirs for 25 years. During this time, individuals who are legally entitled may file a claim for the property with the Unclaimed Property Division. If a claim is allowed to a rightful owner or heir that exceeds \$500,000, the Treasurer shall transfer sufficient General Fund money into the Abandoned Property Fund in order to pay the claim. If the unclaimed property remains unclaimed for a period of 25 years, the funds are permanently absorbed into the General Fund and may no longer be claimed.

Note that the amounts of unclaimed property for 2011 were unusually high, due to House Enrolled Act 1083-2010, which changed from five years to three years the period after which certain property is considered abandoned. Due to this change, the Abandoned Property Fund and General Fund received a one-time additional two years of revenue for certain abandoned property. As a result, 2011 values were not included in this analysis.

As of June 15, 2012, dormant bank accounts equaled \$32.4 M, or 9% of the total \$349.2 M in unclaimed property in Indiana.

From 2000 to 2010, dormant bank accounts brought in an average of \$5.5 M per year for the Abandoned Property Fund and the General Fund. Historically, 10% of total claims/refunds paid to rightful owners and heirs each year are from dormant bank accounts. This equates to an average of \$4 M in returned bank accounts each year. Accordingly, the net revenue from dormant bank accounts into the Abandoned Property Fund and the state General Fund is approximately \$1.5 M per year. It is possible that the bill may lower revenues into the two funds by an amount approaching \$1.5 M per year.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of the Attorney General; Office of the Treasurer of State.

Local Agencies Affected:

Information Sources: April McManus, Office of the Attorney General Unclaimed Property Division, april.mcmanus@atg.in.gov; www.indianaunclaimed.com

Fiscal Analyst: Stephanie Wells, 232-9866.